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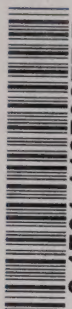
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BUTCHER & CO.
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J. ALLAN ROSS

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Ontario, Hydro-
Electric Inquiry
Commission, 1922-24



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HYDRO ELECTRIC INQUIRY COMMISSION

CENTRAL ONTARIO SYSTEM

TORONTO, 1922.

W. C. Coe,
Official Reporter

CENTRAL ONTARIO SYSTEM

MORNING SESSION - THURSDAY, 30th NOVEMBER, 1922.

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MORNING SESSION - THURSDAY

30th NOVEMBER, 1922.

F. A. GABY (Examined)

THE CHAIRMAN: We heard you in this matter the other day, but there are one or two things that have come up since that we want some further information about.

You spoke to us about the valuation that was made of the properties of the Electric Power Company in 1914, I think?

A--Yes.

Q--On whose instructions were those valuations made ?

A--The Commission's instructions.

Q--Under your supervision. A--Yes.

Q--In the book that you let us have you referred to the deficits incurred by that company during the three years ?

A--Yes.

Q--Where did you get those figures from ?

A--They were obtained from the books of the company.

Q--Where are the books ? A--That I don't know.

Q--When did you last see them ? A--I think I remember
probably
we last saw them in 1914 or 1915.

Q--In whose possession were they at that time ?

A--In the Power Company's possession.

Q--Have they an office in Toronto? A--They did have an office, I believe, in the Confederation Life Building, that is where they were located.

Q--And that is where you saw the books ?

A- I did not see them personally, but different parties, different representatives of the Commission did.

Q--Who was the secretary of the company? A--Mr.A.B.Colville.

Q--Where is he now ? A--I can not say definitely. The last time I heard of him he was in Montreal, that is some time ago.

MORNING SESSION - THURSDAY

30th NOVEMBER, 1952

F. A. GARY (Examined)

THE CHAIRMAN: We heard you said this matter the other day, but there was one or two things that have come up since then we want some further information about.

You spoke about the valuation that was made of the properties of the Electric Power Company in 1914, I think.

A--Yes.
Q--On whose instructions were those valuations made?
A--The Commission's instructions.

Q--Under your supervision. A--Yes.
Q--In the book that you let us have you referred to the

balance sheet by that company during the three years 1914, 1915 and 1916. A--Yes.

Q--Where did you get those figures from?
A--They were obtained from the books of the company.

Q--Where are the books? A--That I don't know.
Q--When did you last see them? A--I think I remember

probably we last saw them in 1914 or 1915.
Q--In whose possession were they at that time?

A--In the Power Company's possession.
Q--Have they an office in London? A--They did have an

office, I believe, in the Corporation Life Building, that is where they were located.

Q--And that is where you saw the books?
A--I did not see them personally, but I have seen

different representatives of the Commission.
Q--Was the Secretary of the company, A. H. B. B. B.

Q--Where is he now? A--I don't say definitely, but last time I heard of him he was in Montreal, that is some time ago.

COMMISSIONER R. A. ROSS: He is with the Sun Life.

THE CHAIRMAN: Q--And who were the auditors at that time ? A--Of the Commission ?

Q--No, of these companies? A--That I cannot tell you. I should say that this statement would probably give you that information.

Q--Were the books of the subsidiary companies kept at that same office? A--As I remember, they were all kept at the same office, in the Electric Power Company's office.

Q--And you had access to them there ? A--We had access to such parts as we required to get out the operating statements.

Q--Did your accountant go over their books ?

A--I don't know, we did not make any audit of their books.
did

Q--No, but you examine their books ? A--Only insofar as the operating statements were concerned, in the operation of those properties.

Q--You did not examine them in detail then ?

A--As to capital expenditures I doubt whether we had them at all, that is information as to capital.

Q--You will recall that there were \$9,000,000 bonds outstanding ? A--As I remember it, between nine and ten million dollars from recollection.

Q--And did you ever see, from the records of the books, what was done with the proceeds of those bonds ?

A--Not that I know of.

Q--And how much was received for those bonds ? A--No.

Q--Have you any information on that ? A--Nothing but hearsay.

Q--And what was that ? A--Simply that they had sold those bonds at probably anywhere from 85 to 100. That was simply hearsay and not definite information.

Q--It was suggested by somebody, I think the other day,

that they were not bought ? A--I cannot say that.

Q--But that they were just distributed ?

A--No, my information was that the money had been actually paid for these bonds, or investments made by the parties to whom the bonds were given.

Q--Have you any idea where we could get any light on the subject? A--No, none at all, unless the old Electric Company officials can give you any information on it.

Q--They seem to be away from here, except Mr. Johnston, the President ? A--Yes.

Q--It just occurred to me, perhaps I am mistaken, that as you took over a number of contracts, or bought the property subject to a number of outstanding contracts, and matters of various kinds, that it would have been important for you to have had especially the books of those subsidiary companies, to show what the nature of the transactions were, and anything bearing upon these particular affairs.

A--We did not think it was of any particular necessity, because we had the actual contract before us to decide.

Q--That is, the various contracts which had been made.

A--The various contracts which had been made in the different corporations, and a search was made as to titles, and so forth, by the Government. We had all that information before us in determining what the values of those properties were.

COMMISSIONER R. A. ROSS: The company would not have given you access to their inventory records at all?

A--They did not.

THE CHAIRMAN: Q--You have no idea where the books are ?

A--No, none at all. I don't know what happened to them.

COMMISSIONER J. A. ROSS: Q--You have never seen a statement by any auditor, an annual statement ?

A--Not that I can remember, at this time.

THE CHAIRMAN: Q--What members of your staff, Mr. Gaby,

did look through those books for you, what members of the Commission's staff ? A--Well, the only books that they had access to were those operating statements showing the operations of the company, their cost of operation, and the revenues that they had derived from those different properties. Those are the only books that we had access to, that is, the revenues from the different properties and the operating expenses of those different properties from year to year. That information was furnished us, and our men were permitted to look at those statements and records.

Q--I think you said you did not look at those. Who would, Mr. Pierdon ? A--I don't remember whether Mr. Pierdon did look at them or not, but we had Mr. Cribbs. He was in charge of that work at the time of the valuation, and obtained a great deal of the statistics on operations from the company. He was under Mr. R. T. Jeffery.

Q--Did Mr. Jeffery look them over at all ? A--I would not like to say offhand whether he did or not. I doubt whether he did.

Q--Would there be anybody else ? A--They had various assistants. I don't just remember now who were directly on the work.

Q--You didn't have then an exhaustive examination of the accounts ? A--Not of the complete statement of the company. We had simply the operating revenues and expenses.

Q--There is no statement for 1915 in your books. It gives it for the three years prior to that time but there is a gap?

A--That report was made in 1915. I do believe that we did have information as to their operations in 1915, but it was not incorporated in that summarized report.

Q--Where is it ? A--If I can obtain it, we have it in the records of the Commission.

Q--Will you look it up ? A--I will, yes.

Q--I would like to have it if possible. There is a memo.

that the Electric Power Company is in arrears with its bond interest, in that statement of yours.

A--I don't know that they were in arrears, but we did make a memo. that during 1913-14, from the information that we have, they would not have been able to pay 5 or 5½ per cent annual interest charges. Our calculations on revenue and expenditures were that they would not have been able to pay their interest. As to whether they did or did not I cannot say.

Q--The memo. I am told, in your files is that the arrears in 1912-13 were \$170,000, and for 1913-14 \$100,000 ?

A--Yes, that probably would be right. It was gradually reducing, and as to whether they paid interest in 1915 or not I cannot say offhand. I believe they did, as a matter of fact, in the year 1915.

Q--Did they pay up for 1915 and also pay the back arrears?

A--We have no knowledge as to what their financial arrangements were. We cannot say whether they did or not.

Q--Mr. Gaby, yesterday -- perhaps you have been told -- the matter of the estimates for Bingham Chute came up, and there seemed to be a wide difference between the estimates now and those which were submitted to the Legislature. We asked that we see the Minutes of the Hydro Commission in which the matter was dealt with ? A--I will give you the details of that.

Q--Have you got the minutes here ? A--I haven't the minutes,

Q--We want those here. We were told they would be furnished to us yesterday afternoon.

MR. POPE: This is the first I have heard of it.

THE CHAIRMAN: Mr. Jeffery said they would send down to the office of the Commission for them yesterday.

MR. POPE: I can get them for you if you will tell me the date.

THE CHAIRMAN: Mr. Pierdon was here also. We were told

by Mr. Jeffery that a copy of the minutes of the Commission dealing with the Bingham Chute estimates would be at our office yesterday afternoon.

MR. PIERDON: We understood you to say, Mr. Chairman, that you wanted the minutes covering the estimates for the whole of 1923. We looked up the estimates and there was nothing specifically mentioned about Bingham Chute.

THE CHAIRMAN: We were assured that there would be a minute of the Commission dealing with it.

MR. GABY: That can be obtained, Mr. Gregory.

THE CHAIRMAN: We must have that.

SIR ADAM BECK: I just want to say a word. This organization is working day and night. They are taking up a big clean-up deal of properties without increase of staff, and I think they should have some consideration, and that other Commissions and other bodies, might be just a little patient. Why, they are overworked to a point of breakdown. This man is breaking down, and this man here is also breaking down. You have no consideration.

THE CHAIRMAN: We have every consideration.

SIR ADAM BECK: No. We have been prompt and anxious, and are ever anxious, to bring every document here that you want, but the language you use and the way you put it to them, in this forceful way, I must take exception to, when the men are overworked as they are at the present time. It is physically impossible for them to do all the work that is placed on their shoulders.

Q--Just let me say something, Sir Adam.

SIR ADAM BECK: You have had all the say. I have every right to protect my organization. It is disorganized now.

THE CHAIRMAN: We are here this morning just because we

wished to oblige you.

SIR ADAM BECK: You do not oblige me. You make it physically impossible for us to give you the information you ask for.

THE CHAIRMAN: We were told that you would be here last Tuesday.

SIR ADAM BECK: I cannot attend to all the meetings.

THE CHAIRMAN: Will you please wait till I get through. I have given you a chance --

SIR ADAM BECK: Very little.

THE CHAIRMAN: We were told you would be here Tuesday, then we understood it might be Wednesday, and we said that would be all right, and then we were told that you were engaged on this arbitration and could not be here Wednesday. We have done everything possible to suit you.

SIR ADAM BECK: I am not speaking for myself, I don't ask for any consideration.

THE CHAIRMAN: Then yesterday morning we spoke to Mr. Jeffery about those minutes, and it is a very small matter to bring up the minute book, or else to copy them.

SIR ADAM BECK: Yes, if you had nothing else to do.

MR. GABY: Mr. Gregory, if Mr. Jeffery had informed me, or understood, that these minutes were to have been here this morning we could have had them.

THE CHAIRMAN: Mr. Jeffery was told that they were to be at our office yesterday afternoon.

MR. GABY: I am quite sure he did not understand you, otherwise we would have endeavoured to get the information for you, and could have got it quite easily, as a matter of record. As I wanted to point out to you --

THE CHAIRMAN: Wait till I am through. I do not wish to have this statement made about anybody being unreasonable, because we have gone out of our way in every case to oblige

especially Sir Adam Beck. We were told that we would have those Minutes yesterday afternoon, both the minutes and the communication to Mr. Drury, which we were told was sent to him but which we are told this morning was not sent on to him,

MR. GABY: Pardon me, we haven't said that yet. Nobody has said anything of the kind. There has been no evidence here that such a statement was made. Pardon me one minute, Mr. Chairman.

THE CHAIRMAN: I am speaking of this Minute, also the communication. I am just telling you what the secretary told me that he had inquired about this letter, and was told by either you or someone else there that no letter was sent to Mr. Drury.

MR. GABY: What I said to the secretary was that our communications do not go to Mr. Drury. They go through to the Government from Col. Carmichael, as their representative. That was the statement I made.

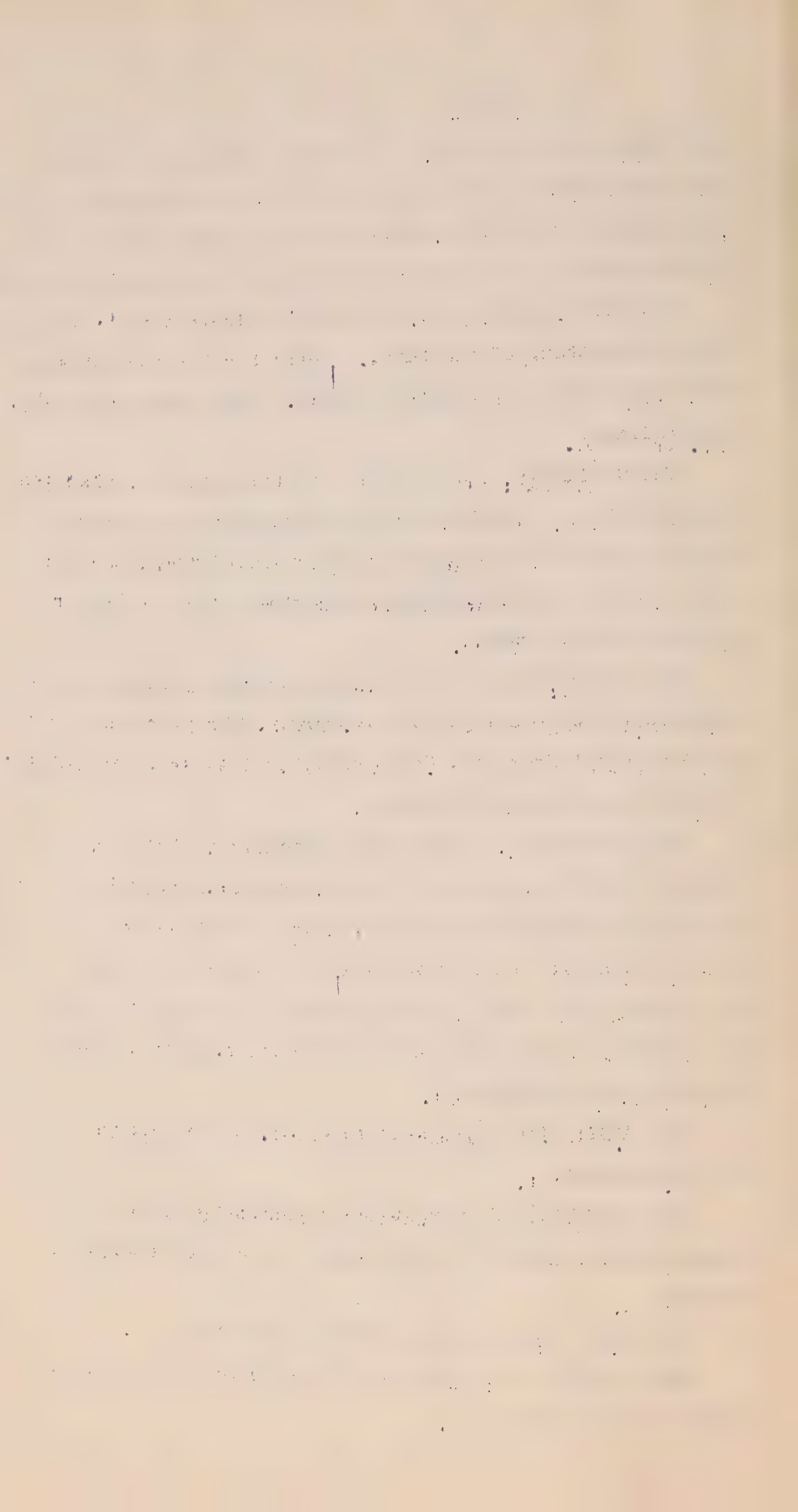
THE CHAIRMAN: We were told yesterday that they were sent to both parties, by Mr. Pierdon. He said you sent that covering letter to Mr. Drury as well as to Col. Carmichael. I am quite willing to accept your word, but we were told that they were sent and we asked for it. Now we are told they were not sent to Mr. Drury. I don't question your statement.

MR. GABY: They were sent to Mr. Drury through Col. Carmichael.

THE CHAIRMAN: We were told yesterday by your representative that he believed they were sent to both parties.

MR. GABY: He believed, but he didn't know.

THE CHAIRMAN: Now you say they were not and I quite accept your statement.



MR. GABY: I said they were sent to the Government through Col. Carmichael.

THE CHAIRMAN: We were told yesterday there were two separate communications. It isn't a matter of any great importance, but if there was a letter to Mr. Drury we want to see it.

MR. GABY: No, sir. To your first question or statement, that you wanted information of what was submitted to the Commission, or Minutes of the Commission, I have here the Minutes of the Meeting, dealing with the Bingham Chute estimates, and dealing with the other estimates in connection with it.

(Mr. Gaby reads letter to Col. Carmichael of May 23rd, enclosing estimates to be submitted to the Government.)

That was the first communication.

Q--That was the communication regarding Bingham Chute ?

A--No, regarding the estimates for 1923 which included Bingham Chute.

Q--We were told we were getting two sets of estimates which were sent in to the Government ?

A --The information submitted to the Government for the Nipissing System was Bingham Chute and improvements to generating plant, \$300,000, that was Nipissing, miscellaneous stations and lines, \$50,000. Col. Carmichael came back and he asked that that information be extended in order that he could answer any questions in connection with it on the floor of the House. The stenographer, in transcribing that, and adding the additional information to it, eliminated improvements to generating plant. There is a further letter dated May 25th to Col. Carmichael.

(Mr. Gaby reads letter dated May 25th, addressed to Col. Carmichael.)

That was two days later. Now, those estimates were forward

to the Government. As I say, a typographical error was made in leaving out the words "improvements to generating plant", and just using the words "Bingham Chute".

Q--I understood yesterday from Mr. Jeffery that the original statement referred only to Bingham Chute ?

A--No, there is the original statement. It says "Nipissing System, Bingham Chute, improvements to generating plant." That went to Col. Carmichael.

COMMISSIONER R. A. ROSS: That is what Mr. Jeffery was quoting from yesterday? A--Yes, that is the estimate he was quoting from yesterday.

Q--That is not the original? A--No, that is not the original.

COMMISSIONER HANEY: Q--Are all your communications addressed to the member of the Government who is a member of your Commission? A--All estimates are addressed to Col. Carmichael. We always deal through Col. Carmichael, to be taken up with the Government.

Q--Previous to that with any other member of the Government ? A--Yes, Mr. Lucas. All our estimates and communications went through Mr. Lucas.

Q--And that you considered a communication to the Government

A--Yes.

THE CHAIRMAN: Q--Those letters are addressed to Col. Carmichael always ? A--Yes, sir.

Q--Of course, this states clearly "Bingham Chute development, \$300,000." A--As I explained, it has been a

typographical error in changing from the old to the new.

Q--This is the one sending forward all the estimates ?

A--Yes.

Q--But the one referring to the Nipissing generally ?

A--The one referring to it, they are all the same, sir.

Here are the details. Here is the copy of the letter that went to Col. Carmichael. It has not got the detail in it that he asked for.

Q--In this general statement ? A--Yes, Nipissing System is a part of that. You will see that the other one has practically the same figures, only it has more detail. Take the one of this date, May 23rd. Now you see Niagara System. There is Niagara System, \$1,300,000. It is the same, only those explanatory remarks in addition.

Q--This one, No. 10, is the one you say in which there was an omission? A--Simply a typographical error. There is the one that was submitted to the Government, May 23rd.

Q--The first item on page 3 ? A--Yes. That item, of course, of \$300,000, includes also the improvements on the Nipissing development.

COMMISSIONER HANEY: Can we have copies of all this ?

A--Yes.

THE CHAIRMAN: When will the Minutes be here ?

MR. POPE: If you will tell me which ones you want I will send for them immediately. The date is all I want.

MR. GABY: I can have the Minutes copied as soon as I go to the office. It is May the 25th, I think, Mr. Pope.

MR. POPE: What year ?

MR. GABY: 1922.

MR. POPE: I can get them if I know the date.

MR. GABY: You see, this letter refers to that. This letter was written on May 25th.

THE CHAIRMAN: Yes, May the 25th, and when you go down you will get them.

MR. GABY: I will get the copies and send them to the secretary.

THE CHAIRMAN: You will be available, Mr. Gaby, if we want you this morning? A--Yes.

